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May 23, 1996

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William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: **Notice of Oral Ex Parte Presentation**
WT Docket No. 96-59
GN Docket No. 90-314

Dear Mr. Caton:

On behalf of the Coalition of New York Rural Telephone Companies ("Coalition"), this notice is submitted in accordance with Section 1.1206(a)(2) of the Commission's Rules, with the original and one copy submitted to the Commission's Secretary.

On May 23, 1996, the Coalition was represented by Larry S. Roadman, President of Margaretville Telephone Co., Inc., in an oral ex parte presentation to Suzanne Toller, Assistant to Commissioner Rachelle B. Chong, concerning the above-referenced dockets. David Nace of Lukas, McGowan, Nace & Gutierrez, served as attorney for the Coalition.

Written comments were filed by the Coalition in this proceeding. At today's meeting, the Coalition's written comments were supplemented with discussion of the points summarized in an

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attachment to this letter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'D. Nace', with a stylized flourish at the end.

David L. Nace

cc: Suzanne Toller (by hand-delivery)

In the next few weeks, the FCC will establish eligibility rules for the Personal Communications Service (PCS) 10Mhz spectrum auction. We are concerned that the expressed intent of Congress, that small businesses be afforded realistic opportunities to obtain PCS licenses, has not, and will not be realized in the PCS spectrum auctions. We are asking members of Congress to convey these concerns to the FCC and to encourage the FCC to adopt eligibility rules which will ensure a substantive licensing opportunity for small businesses in the remaining portion of the PCS spectrum auctions (the D, E and F-block auctions).

The reservation for "entrepreneurs" of the C (30Mhz) and F (10Mhz)-block auctions was the FCC's attempt to meet the Congressional small business mandate. Analysis of the recently-completed C-block auction shows that small businesses did not fare well, unless they were the "control group" in new business ventures with large companies having virtually unlimited sources of bid financing. (See the attached New York Times article) True small business bidders were virtually precluded from success in any market chosen by the large bidders.

We recommend that the FCC modify the eligibility rules for the F-block auction. Only small businesses should be allowed to apply for and hold these licenses for at least a three-year period. The terms afforded the C-block winners should be made available to the F-block winners. These include discounted up-front payments, bidding credits and installment payments. Finally, the definition of rural telephone company used in the C-block auction should be retained in the F-block auction.

The small business opportunities mandated by Congress serve more than just the interests of the small businesses bidding for PCS spectrum:

- Many of the small businesses will be located in the BTA(s) (Basic Trading Area) for which they will be bidding. Particularly in the rural areas, this represents a significant economic development opportunity.
- In the rural areas, these small business licensees represent the most likely opportunity for early, timely build out of rural PCS systems. The A, B and C-block licensees have urban-focused build out plans, and most of the interest of the large companies in the upcoming 10Mhz auction has focused on augmenting PCS or cellular spectrum used to serve urban or high-density travel corridors.
- The presence of these small businesses will increase competition by introducing a competitor whose service plans are locally-oriented and distinguishable from those of the large, absentee, possibly foreign-owned licensees of the other PCS and cellular spectrum blocks.

Reservation of the F-block license for small businesses will not preclude anybody from access to PCS spectrum. Large businesses have had and will have ample access through the already completed A, B and C-block and the upcoming D and E-block auctions. If shut out of the F-block auction, it is the small businesses who will have been de facto precluded from access to PCS spectrum.

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Finally, we believe that reservation of the F-block license for small businesses will enhance competitive bidding for the remaining 10Mhz licenses. Increased competition between the large bidders in the D and E-block auctions, along with the small business bidding in the F-block, will produce substantial additional revenues for an auction process that has already far exceeded expectations.